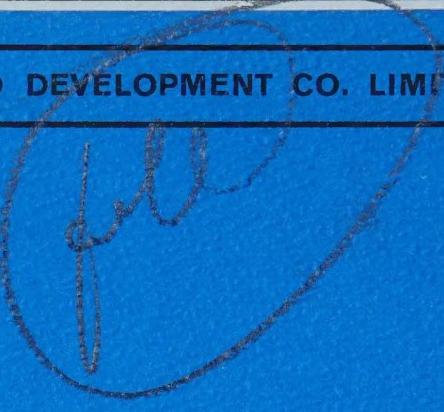


MENTOR

EXPLORATION AND DEVELOPMENT CO. LIMITED

AR53



ANNUAL REPORT

FOR THE YEAR ENDED
DECEMBER THIRTY-ONE **1965**

MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED

(Incorporated under the laws of Ontario)

Executive and Head Office	Suite 1101, 365 Bay Street, Toronto, Ontario
Directors	WM. L. HOGARTH, JR. BERNARD KRAFT PAUL PENNA NORMAN B. SHERIFF
Officers	PAUL PENNA, <i>President</i> NORMAN B. SHERIFF, <i>Vice-President</i> BERNARD KRAFT, <i>Secretary-Treasurer</i>
Consulting Engineer	WALTER F. BROWN, B.Sc., P.Eng.
Transfer Agent and Registrar	GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario
Auditors	THORNE, MULHOLLAND, HOWSON & MCPHERSON Chartered Accountants, Toronto, Ontario
Shares Listed	Toronto Stock Exchange
Annual Meeting	April 26, 1966, 2:30 in the afternoon (Toronto Time), Room 3, Royal York Hotel, Toronto, Ontario

MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED

DIRECTORS' REPORT

To the Shareholders,
MENTOR EXPLORATION
AND DEVELOPMENT Co. LIMITED:

The Directors of your company present the audited financial statements for the year ended December 31, 1965, and also the following general review of activities and investments during the fiscal year and the subsequent period to date.

As noted in the balance sheet, your company has a strong financial position with net current assets and realizable investments of \$1,258,924.40. Implementing the policy of the management to utilize its financial resources, additional investments were made in the purchase of shares of other mining companies. These investments designated as marketable securities, are shown on the balance sheet at a cost of \$649,751.21. The market value of these investments as at December 31, 1965, was \$853,550.31, representing an increase over cost of \$204,799.10.

During the past year the investment in silver bullion, a readily marketable commodity, was increased to \$469,403.01. Subsequent to December 31, 1965, the Company disposed of a portion of such investment for \$139,117.12, leaving a balance having a value of \$330,285.89. The balance of such bullion is stored in the vaults of a Canadian chartered bank in the expectation that within a reasonable period the market price of silver will increase in response to the continuing and still widening deficit between new mine production and consumption.

The 1965 silver review recently published by Handy and Harman, well known New York silver refiner and fabricator, states that since 1961 the annual consumption of silver in the non-Com-

munist world has increased 90% to a record 708,000,000 ounces in 1965, while mine production during the same period increased only 9% to 221,500,000 ounces last year. While U.S. requirements of silver for coinage contributed greatly to the deficit in 1965, it is pertinent to note that usage for industrial purposes, alone, amounted to 333,600,000 ounces last year, or approximately 50% in excess of new mine output.

It is also noted that the U.S. Treasury's efforts to bridge the supply gap has reduced its stockpile by 1,000 million ounces, from 1,800 million ounces at the end of 1961, to 803 million ounces at the end of 1965. The drain on U.S. Treasury reserves during 1966 is expected to be around 300 million ounces. While the timing of a world increase in the price of silver is difficult to predict, the law of supply versus demand indicates it is inevitable.

Since a substantial portion of the marketable securities comprising the investment portfolio of your company as of December 31, 1965, is represented in the holding of 117,800 shares of Cochenour Willans Gold Mines Limited, the following is presented for the information of shareholders:

Cochenour Willans Gold Mines Limited is an established gold producer in the Red Lake Area of Northwestern Ontario, commencing production in 1939. A program of expanded exploration and development necessitated additional working capital. During July, 1965, your company participated with a financing group in an underwriting of treasury shares of Cochenour Willans Gold Mines Limited, purchasing for its investment account a block of 100,000 shares at a cost of \$275,000.

Prior to the acquisition of such shares, your company had purchased an additional 17,800 shares on the open market at an average cost of \$3.25 per share. The combined purchases totalling 117,800 shares of Cochenour Willans Gold Mines Limited, acquired at a cost of approximately \$332,873.00 had a quoted market value as at December 31, 1965, of \$518,320.00 with the shares then quoted at \$4.40 each. Your company realized the sum of \$23,658.00 on the disposition on the open market of 4,200 shares of Cochenour Willans Gold Mines Limited subsequent to December 31, 1965.

In addition to its gold mining operation, Cochenour Willans Gold Mines Limited is active in exploration in the Red Lake Area. Late in 1965, as a result of indications of base metal possibilities revealed by an aerial geophysical survey carried out for Cochenour Willans Gold Mines Limited by Selco Exploration Company Limited, a subsidiary of Selection Trust Limited, of London, England, Cochenour Willans Gold Mines Limited company staked a considerable number of claims along an approximate 30-mile long belt, additional to claims previously held.

A map showing the claims held by Cochenour Explorations Limited, Cochenour Willans Gold Mines Limited, and associated Coin Lake Gold Mines Limited, is appended.

The numerous geophysical anomalies indicated both by airborne and ground survey, correlated with known showings of copper and nickel, led to a decision to embark on a major exploration program to investigate the inferred possibilities of base metal deposition. A group of approximately 1,000 mining claims, representing ground held by Cochenour Willans Gold Mines Limited were acquired by Cochenour Explorations Limited which was formed to explore these claims. Cochenour Willans Gold Mines Limited holds a 51% interest in Cochenour Explorations Limited.

In addition to the indirect participation of your company in Cochenour Explorations Limited owing to its shareholding in the parent company,

Cochenour Willans Gold Mines Limited, a direct interest equal to 19% of Cochenour Explorations Limited has been acquired by Mentor. This latter acquisition was made subsequent to the end of the 1965 fiscal year.

The undertaking by Cochenour Explorations Limited is of considerable magnitude, not only in terms of the claim area involved, but also in respect to the numerous geophysical anomalies and surface showings slated for test by diamond drilling. A minimum expenditure of \$500,000 has been recommended for this preliminary program, which sum has been assured by the various participants, including Selco Exploration Co., holding a 10% interest. At the time of writing, five drills were employed in this intense exploration program, with additional drills to be added when available. The program will be of considerable duration, extending into 1967 according to present plans.

OTHER EXPLORATION ACTIVITIES

Quite apart from the foregoing participation in Cochenour Explorations Limited, your company was active in the exploration of claims in the Cobalt Area of Ontario where work is currently in progress on the 'Sycee' property, located in Coleman Township. During the past twelve months, fifteen separate property submissions were referred to our consultant for evaluation, however, none of these were accepted for further investigation by your company.

It is with deep regret that the Directors record the death on July 18, 1965, of Thomas S. Elmore, Q.C., who served on the Board of the company since the present management assumed control in 1964.

On behalf of the Board of Directors

"PAUL PENNA"

President

March 22, 1966

BALANCE SHEET *as at December 31, 1965*

ASSETS

CURRENT ASSETS:

Cash	
Marketable securities, at lower of cost and market (market value \$853,550.31)	
Receivable from brokers on sale of securities	
Accounts receivable	

INVESTMENTS:

Silver bullion, at cost	
Shares in affiliated company, at cost (market value \$226,683.86)	
Investment in and advances to other companies:	
Unlisted and escrowed securities, at cost or less	\$24,546.22
Advances	3,351.74

MINING CLAIMS AND PROPERTIES, at cost, and deferred exploration expenditures

FIXED ASSETS:

Office furniture, at cost	
Less Allowance for depreciation	

LIABILITIES

CURRENT LIABILITIES:

Bank loan, against which certain securities have been pledged	
Accounts payable and accrued liabilities	

SHAREHOLDERS' EQUITY

CAPITAL STOCK:

Authorized, 5,000,000 shares, par value 50¢ per share	
Issued, 3,455,746 shares	
Less Discount	

CONTRIBUTED SURPLUS

DEFICIT

NOTE: Subsequent to the balance sheet date, the company has agreed to subscribe for 20,000 shares of Cochenour Explorations Limited for \$20,000.00 and to expend \$75,000.00 on a drilling and exploration programme for which the company will receive 75,000 shares of Cochenour Explorations Limited.

MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED
(Incorporated under the laws of Ontario)

AUDITORS' REPORT

19,528.02	
649,751.21	
37,434.84	
4,242.42	710,956.49

469,403.01
111,198.87

27,897.96	608,499.84
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467,144.55

3,051.55	
305.15	2,746.40

\$1,789,347.28

25,000.00	
7,633.97	32,633.97

1,727,873.00	
170,000.00	
1,557,873.00	
245,093.25	
1,802,966.25	
46,252.94	1,756,713.31
	<u>\$1,789,347.28</u>

*To the Shareholders of
Mentor Exploration and Development Co. Limited:*

We have examined the balance sheet of Mentor Exploration and Development Co. Limited as at December 31, 1965 and the statements of income and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and related statements of income and deficit present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, MULHOLLAND, HOWSON & MCPHERSON,
Chartered Accountants

*Toronto, Canada,
March 9, 1966.*

Approved on behalf of the Board:

PAUL PENNA, Director
BERNARD KRAFT, Director

MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED

STATEMENT OF INCOME Year ended December 31, 1965

REVENUE:

Interest and dividends	25,458.60
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EXPENSES:

Administration, office, and accounting	7,968.86
Legal and audit (including fees of \$5,000.00 re participation in Cochenour Willans Gold Mines Limited financing)	8,712.55
Shareholders' information	1,202.23
Stock exchange filing fees	360.06
Transfer agent fees	1,214.50
Consulting fees, general	1,300.00
Directors' fees	400.00
Interest	1,172.31
Depreciation, office furniture	305.15
Miscellaneous	1,090.92
	<u>23,726.58</u>
	1,732.02
Loss on sale of marketable securities	1,525.63
<i>Net income for year</i>	\$ 206.39

STATEMENT OF DEFICIT Year ended December 31, 1965

Deficit at beginning of year	46,459.33
Deduct Net income for year	206.39
<i>Deficit at end of year</i>	<u>\$46,252.94</u>

MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED

MINING CLAIMS AND PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

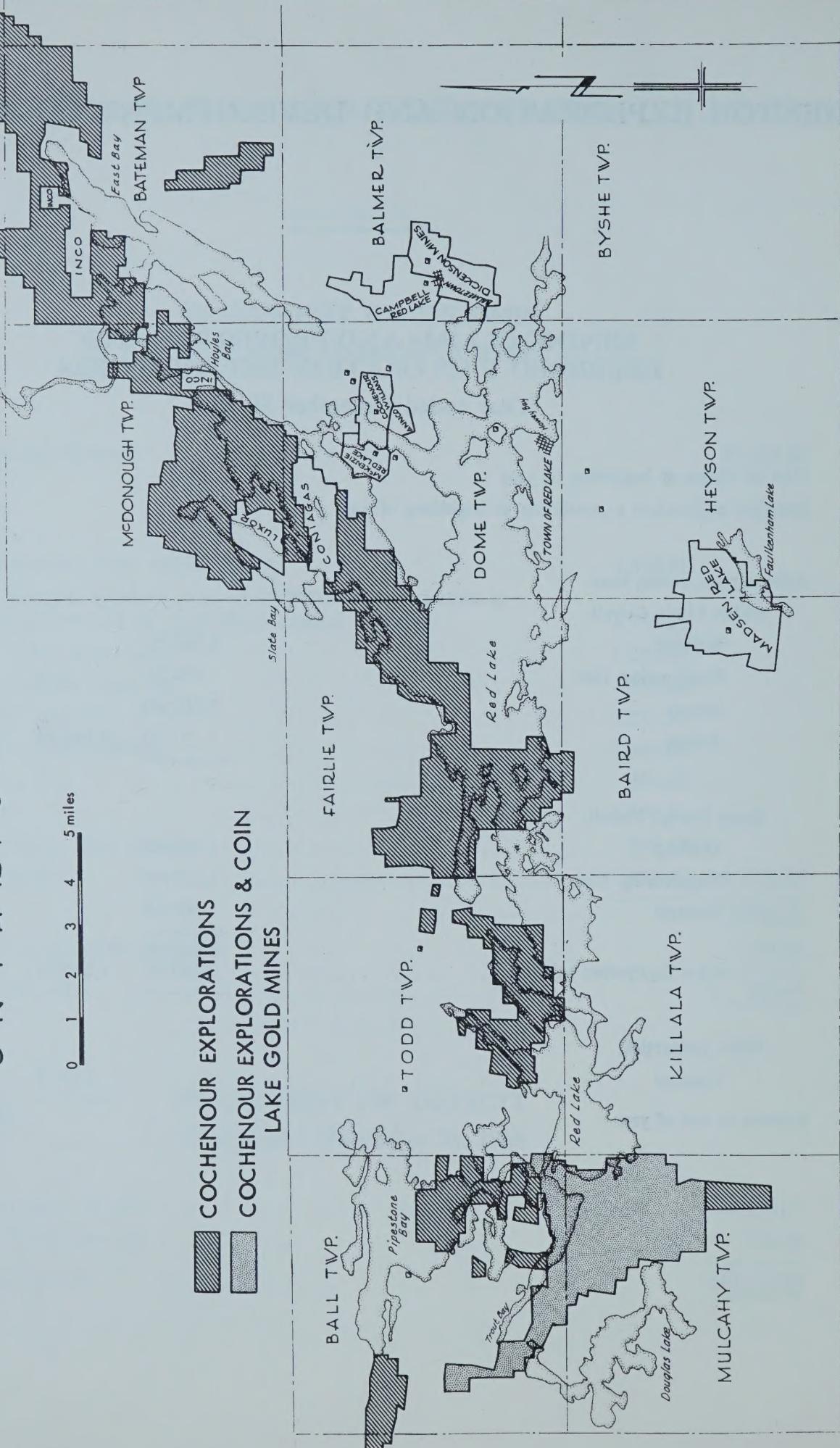
Year ended December 31, 1965

Cost of claims at beginning of year	128,104.05
Deferred exploration expenditures at beginning of year	327,952.10
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Expenditures during year:	
Gillies Limit, Cobalt:	
Drilling	6,647.21
Engineering fees	674.25
Survey	2,100.00
Assays	27.00
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Sycee Group, Cobalt:	9,448.46
Drilling	1,727.12
Engineering fees	1,335.69
General	405.43
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Less Equipment sold	3,468.24
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	2,205.30
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Other properties:	1,262.94
General	377.00
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Balance at end of year	11,088.40
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	\$467,144.55

RED LAKE MINING AREA ONTARIO

0 1 2 3 4 5 miles

COCHENOUR EXPLORATIONS
COCHENOUR EXPLORATIONS & COIN
LAKE GOLD MINES





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